

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOTICE OF ADJUSTMENT OF RATES OF)	CASE NO.
KENTUCKY-AMERICAN WATER COMPANY)	97-034

O R D E R

IT IS ORDERED that Kentucky-American Water Company ("Kentucky-American") shall file the original, 6 hard copies, and 11 electronic copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than 14 days from the date of this Order. When applicable, the information requested herein should be provided for total company operations and jurisdictional operations, separately. Each response should include complete details of any items which are allocated among Kentucky-American and other affiliates.

1. Provide a complete copy of the workpapers, calculations, and assumptions Kentucky-American used to develop its forecasted test-period financial information.

2. Provide a complete copy of Kentucky-American's internal accounting manuals, directives, policies and procedures that have been revised or issued since Kentucky-American's last rate case filing.

3. Provide a complete copy of Kentucky-American's budget instructions, assumptions, directives, manuals, policies and procedures, timelines, and descriptions of budget procedures that have been revised or issued since Kentucky-American's last rate case filing.

4. Provide a comparison of Kentucky-American's operating budgets to the actual results, by account, for 1994 and 1995. Explain in detail any yearly account variance greater than 5 percent. In the response include a comparison for the following major expense categories:

- a. Fuel and Power Expense
- b. Chemical Expense
- c. Management Fee Expense
- d. Customer Accounting Expense
- e. General Office Expense
- f. Miscellaneous Expense
- g. Maintenance Expense

5. Provide the same information requested in Item 4 for 1996 when it is available.

6. Provide a reconciliation and detailed explanation of any differences in the capitalization and the net investment rate base of Kentucky-American for the base period.

7. Provide a rate base, capital structure, and statement of income for Kentucky-American for the most recent actual 12-month period at the time of the company's rate filing and for the base period used in this case. Provide detailed explanations necessary to reconcile this data with the filed base period revenue requirement information.

8. Describe the procedures used by Kentucky-American in planning and approving construction projects. Provide the long-term construction planning program.

9. For each construction project begun during the last ten calendar years, provide the information requested in the format contained in Schedule 1. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

10. Provide in the format provided as Schedule 2 an analysis of the Construction Work in Progress as defined in the Uniform System of Accounts for the 12 months preceding the base period, the base period, and the forecasted test period.

11. Provide the information requested in Schedule 3 for each construction project in progress listed on Schedule 2.

12. Provide the information requested in Schedule 4 for budgeted and actual regular wages, overtime wages, and total wages by employee group, by month, for the most recent two years available. Explain in detail any variance exceeding 5 percent in any one month. Update as further information becomes available.

13. Provide a complete copy of any wage, compensation, and employee benefits studies, analyses, or surveys conducted by or for Kentucky-American or utilized by Kentucky-American since the 1994 study.

14. State the amount, percent increases, and effective dates for general wage increases and separately, for merit increases granted for the years 1996, the base period, and the forecasted period for each employee group.

15. Provide complete details of any early retirement plans or other staff reduction programs Kentucky-American intends to offer its employees during the forecasted test period. Include a copy of any cost-benefit analyses associated with these programs.

16. Provide a detailed list of all fringe benefits available to Kentucky-American employees and the expected cost of each benefit in the forecasted test year. Provide comparative cost information for the two years preceding the base year and the base year. Indicate which fringe benefits, if any, are available only for management employees. Also explain any changes occurring over this period.

17. List separately the budgeted and actual numbers of full- and part-time employees by employee group, by month and by year, for the five years immediately preceding the base period, the base period, and the forecasted period.

18. Provide complete details of Kentucky-American's Other Post-retirement Employee Benefits ("OPEB") package(s) provided to employees.

19. Provide all current labor contracts and the most recent contracts previously in effect.

20. Provide a complete copy of Kentucky-American's current medical insurance policy.

21. Provide, for each major functional plant property group or account, the plant beginning and ending balances, gross additions, retirements, and transfers for Kentucky-American occurring in the forecasted test period in the format provided in Schedule 5. If in a particular account, transfers regularly occur in the normal course of business, provide a general description of the nature of the transfers.

22. Provide a list of all properties leased to the utility and improvements to leased properties, together with annual lease payments which are capitalized in the format provided in Schedule 6. Describe the type and use of the property, name of lessor, amount of the lease payment, and the dollar value of property involved.

23. List all property held for future use included in rate base in the format provided in Schedule 7. Describe the property, date of acquisition, the original cost, accumulated depreciation, expected in-service date, and expected use of property.

24. Provide the information requested in Schedule 8 regarding Certain Deferred Credits, Accumulated Deferred Income Taxes, and Other Rate Base items included in the forecasted test period rate base.

25. Provide the following monthly account balances and a calculation of the average (13 month) account balances for the total company and jurisdictional operations (original cost):

- a. Plant in Service;
- b. Plant Purchased or Sold;
- c. Property Held for Future Use;
- d. Construction Work in Progress (Separate this balance into CWIP eligible for capitalized interest and other CWIP);

- e. Completed Construction Not Classified;
- f. Accumulated Depreciation and Amortization;
- g. Plant Acquisition Adjustment;
- h. Amortization of Utility Plant Acquisition Adjustment;
- i. Materials and Supplies;
- j. Balance in Accounts Payable Applicable to each account in (i) above;

(If actual cannot be determined, give reasonable estimate.)

- k. Unamortized Investment Tax Credit - Pre-Revenue Act of 1971;
- l. Unamortized Investment Tax Credit - Revenue Act of 1971;
- m. Accumulated Deferred Income Taxes;
- n. A Summary of Customer Deposits;
- o. Computation and Development of Minimum Cash Requirements;
- p. Balance in accounts payable applicable to amounts included in utility

plant in service; (If actual cannot be determined, give reasonable estimate.)

q. Balance in accounts payable applicable to prepayments by major category or subaccount;

r. Balance in accounts payable applicable to amounts included in plant under construction; (If actual cannot be determined, give reasonable estimate);

- s. All Current Assets and Current Liability Accounts not included above.

26. Provide a trial balance as of the last day of the base period (all income statement accounts should show activity for 12 months) showing account number, account title, and actual base period accounts.

27. Provide the following information regarding the implementation of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes":

- a. the date of implementation;
- b. the effect on the financial statements;
- c. whether the base year or forecasted period includes any impact of the implementation. If so, provide detailed information regarding the impact.

28. If the 1989 service contract with the American Waterworks Service Company ("Service Company") has been modified, amended, or replaced, provide a complete copy of the current service contract and identify the areas that differ from the 1971 and 1989 service contracts.

29. a. Provide copies of all other service agreements and contracts that Kentucky-American has with any of the affiliate companies.

b. Provide a narrative discussion of the pricing policies of Kentucky-American and its affiliates with regard to affiliate company transactions.

30. a. Provide a comprehensive list and detailed description of any service that has been rendered to Kentucky-American by any of its sister companies.

b. Provide a comprehensive list and detailed description of the services that Kentucky-American has provided to any of its sister companies.

31. What benefits does Kentucky-American derive from having affiliates render the services enumerated?

32. a. Provide separate detailed comparisons, using the 1971 and 1989 contracts (or the current contract), of allocated charges expensed by Kentucky-American

in the base period, and the projected allocated amount expensed in the forecasted period, in the format attached as Schedule 33a.

b. Provide a detailed analysis of the Service Company charges directly billed to Kentucky-American and expensed during the base period, and the projected expenses for the forecasted period as shown in Schedule 33b.

c. Provide a separate detailed analysis of the Service Company charges allocated or directly billed to Kentucky-American and capitalized during the base period, and the projected amounts for the forecasted period.

Done at Frankfort, Kentucky, this 7th day of March, 1997.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director

**Kentucky American
Case No. 97-034
Construction Projects
As of**

Type of Filing: _____ Original _____ Update _____ Revised _____

Workpaper Reference No(s): _____

[illegible]

Kentucky American
Case No. 97-034
Construction Work in Progress
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Update _____ Revised _____
Workpaper Reference No(s): _____

Accumulated Costs

Indirect

Line No. (A)	Project No. (B)	Description of Job (C)	Construction Amount (D)	AFDUC Capitalized (E)	Costs Other (F)*	Total Cost (G=D+E+F)	Estimated Physical Percent Completed (H)
			\$	\$	\$	\$	\$

TOTAL

*Explain the nature of all other indirect costs in footnotes.

Kentucky American
Case No. 97-034
Construction Work in Progress - Percent Complete*
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Line No. (A)	Project No. (B)	Date Construction Work Began (C)	Estimated Project Completion Date (D)	Percent of Elapsed Time (E)	Original Budget Estimate (F)	Most Recent Budget Estimate (G)	Total Project Expenditures (H)	Percent of Total Expenditures (I)=(G)=(F)
					\$	\$	\$	

*Should be based on expenditures including AFUDC.

Kentucky-American
 Case No. 97-034
 Monthly Payroll Variance Analysis
 As of _____

Type of Filing: _____ Original _____ Updated _____ Revised _____
 Workpaper Reference No(s): _____

Date	Employee Group	Monthly Budget			Monthly Actual			Variance Percent		
		Reg.	OT	Total	Reg.	OT	Total	Reg.	OT	Total

Kentucky-American
Case No. 97-034
Gross Additions, Retirements, and Transfers
From _____ To _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Transfer/Reclassifications

Line No.	Acct. No.	Account Title	Beginning Balance	Additions	Retirements	Amount	Explanation of Transfers	Other Accounts Involved	Ending Balance
			\$	\$	\$	\$			\$

Kentucky-American
Case No. 97-034
Leased Property
(Total Company)

As of _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

Identification or Reference Number	Description of Type and Use of Property	Name of Lessee	Frequency of Payment	Amount of Lease Payment	Dollar* Value of Property Involved	Explain Method of Capitalization
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* If not available, an estimate should be furnished.

Kentucky-American
Case No. 97-034
Property Held for Future Use Included in Rate Base
As of _____

Data: _____ Base Period _____ Forecasted Period _____
Type of Filing: _____ Original _____ Updated _____ Revised _____
Workpaper Reference No(s): _____

Line No.	Description and Location of Property	Acquisition Date	Original Cost	Accumulated Depreciation	Net Original Cost	Revenue Realized		Expenses Incurred	
						Amount	No. Description	Amount	No. Description

Kentucky-American
Case No. 97-034
Certain Deferred Credits and Accumulated Deferred Income Taxes
As of _____

Data: _____ Base Period _____ Forecasted Period
Type of Filing: _____ Original _____ Updated _____ Revised
Workpaper Reference No(s): _____

Line No.	Account No.	Description
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Customer's Advances for Construction

Contributions in Aid of Construction

Investment Tax Credits:

Pre 1971	3% Credit
1971	4% Credit
1975	6% Additional Credit
1981	10% Credit on Recovery Property
ITC Tax Benefits Sold	

Deferred Income Taxes:

Accelerated Amortization
Liberalized Depreciation
ACRS Tax Benefits Sold
Other (Specify and list separately)

Other (Specify and list separately)

Also provide the ITC option elected in 1971 and 1975 under Section 46(f) of the 1954 Internal Revenue Code.

Kentucky-American
Case No. 97-034
Service Company Contract Comparison

Data: _____ Base Period _____ Forecasted

<u>Description</u>	<u>1971 Contract</u>	<u>Difference</u>	<u>1989 Contract</u>
Administrative			
Regional Office			
General Office			
Engineering			
Regional Office			
General Office			
Customer Relations			
Regional Office			
General Office			
Employee Relations			
Regional Office			
General Office			
Water Quality			
Regional Office			
General Office			
Secretarial			
Regional Office			
General Office			
Accounting			
Regional Office			
General Office			
Treasury			
Regional Office			
General Office			
Data Processing -			
General			
Internal Auditing			
Total			
Regional Office			
General Office			
Data Processing			
Authorization			
Total A/C _____			
Customer Billing A/C _____			
Auth/Water Quality/Var Accounts			
Construction/Maintenance			
Grand Total			

Kentucky-American
Case No. 97-034
Service Company Contract Comparison

<u>Description</u>	<u>Base Period</u>	<u>Forcasted Period</u>
Administrative		
Regional Office		
General Office		
Engineering		
Regional Office		
General Office		
Customer Relations		
Regional Office		
General Office		
Employee Relations		
Regional Office		
General Office		
Water Quality		
Regional Office		
General Office		
Secretarial		
Regional Office		
General Office		
Accounting		
Regional Office		
General Office		
Treasury		
Regional Office		
General Office		
Data Processing -		
General		
Internal Auditing		
Total		
Regional Office		
General Office		
Data Processing		
Authorization		
Total A/C _____		
Customer Billing A/C _____		
Auth/Water Quality/Var Accounts		
Construction/Maintenance		
Grand Total		